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February 11, 2016

PARTIES OF RECORD

RE: Informal Conference for
Case No. 2015-00347

Enclosed is a memorandum that has been filed in the record of the above-referenced case. Any comments regarding the content of this memorandum should be submitted to the Commission within seven days of receipt of this letter. Questions regarding this memorandum should be directed to Chris Whelan at (502) 782-2644.

Sincerely,


Jeff Derouen
Executive Director

Enclosure

INTRA-AGENCY MEMORANDUM

KENTUCKY PUBLIC SERVICE COMMISSION

TO: Case File 2015-00347

FROM: Chris Whelan, Financial Analysis

DATE: February 11, 2016

RE: Application of Duke Energy Kentucky, Inc. for Approval of its Premier Power Service Tariff and Standard Contract

On February 9, 2016, Commission Staff ("Staff") held a telephonic informal conference ("IC") with Duke Energy Kentucky, Inc. ("Duke Kentucky"). Staff requested the IC to discuss certain outstanding issues in this matter. Those issues included whether the service provided under the proposed Premier Power Service ("PPS") Tariff should be considered a regulated service, the associated accounting treatment for the service, and the submission of the special contracts to the Commission. A list of attendees is attached to this memorandum.

Duke Kentucky explained that some of its affiliated companies in other jurisdictions have tariffs approved that are similar to the Premier Power Service ("PPS") Tariff proposed in this proceeding. Duke Kentucky stated that the Energy Services Group within Duke Energy (through a Retail Products Department) designs products for commercial and industrial customers. Duke Kentucky also stated that the Energy Services Group supplies service under the PPS Tariff in those states and would do so in Kentucky if the proposed tariff is approved.

Staff informed Duke Kentucky of its belief that the service provided under the PPS Tariff would be a regulated service and questioned Duke Kentucky's proposal to record the associated revenues, capital costs, and expenses "below the line" which would indicate that the service was unregulated. Duke Kentucky explained that it proposed "below the line" treatment in this proceeding to be consistent with the accounting treatment of its affiliated companies in the Midwest region, i.e., Indiana and Ohio. However, Duke Kentucky stated that its affiliated companies account for the tariff in other jurisdictions both ways (above the line or below the line) depending on the jurisdiction. For example, Duke Kentucky informed that its affiliate in the Florida jurisdiction accounts for the service above the line, but then removes the revenues, capital costs, and expenses associated with the tariff from the determination of base rates in rate case proceedings. Duke Kentucky stated that it had no issues with accounting for the PPS Tariff service above the line.

In its application, Duke Kentucky proposed that it not be required to file the

individual special contracts that would be executed with customers under the tariff because Duke Kentucky and its customers consider certain information in the contract to be commercially sensitive information. Staff informed Duke Kentucky that, for a regulated service, Kentucky regulations require special contracts to be filed with the Commission. Staff advised Duke Kentucky that it could request confidential treatment of sensitive information when filing a special contract.

There being nothing further to discuss, the meeting was adjourned

Attachment: Sign-In Sheet

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF DUKE ENERGY)
KENTUCKY FOR APPROVAL OF ITS) CASE NO.
PREMIER POWER SERVICE TARIFF AND) 2015-00347
STANDARD CONTRACT)

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February 9, 2016 Informal Conference
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Please sign in:

NAME

REPRESENTING

Chris Whelan

PSC - FA

RICHARD RAFF

PSC - LEGAL

Matthew Baer

PSC - FA

Quang D. Nguyen

PSC

Rocco D'Ascenzo

Duke Kentucky ^{via} Teleconference

Jim Ziolkowski

Duke Kentucky

Dianne Kuhnell

Duke Kentucky

Don Wathen

Duke Kentucky

Keith Dale

Duke Kentucky



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